

Mandatory Reference: 467
Filename: 467mab_032702_cd27
Last Revised: 03/27/2002
Effective Date: 03/08/2002

Implementation Guidelines for Authorizing Payment of Retention Allowances

1. Overview

These guidelines set forth the Agency's policies, criteria, responsibilities, and procedures for the payment of retention allowances. Retention allowances are continuing (i.e., biweekly) payments of up to 25 percent of basic pay (excluding any locality payment) that may be authorized by the Agency to help retain an individual employee or a group of employees who are likely to leave the Federal service for any reason. Payment is based on a determination

- That the unusually high or unique qualifications of the employee(s) or a special need for the employee's services makes it essential to retain the employee(s), and
- That in the absence of a retention allowance, there is strong likelihood that the employee(s) would leave Federal service.

2. Responsibilities

- a. The immediate supervisor is normally the recommending official who is responsible for initiating a request to grant, continue, reduce, or terminate a retention allowance to an individual employee.
- b. Heads of Bureaus and Independent Offices are responsible for initiating requests for retention allowances for groups of employees. In addition, Bureau/Office heads are responsible for reviewing requests for granting payment to individual employees, as well as for continuing, reducing, or terminating retention allowance payments for positions in their organization and deciding whether the recommended action is warranted.
- c. The Administrative Management Staff (AMS) is responsible for
 - Advising supervisors on use of retention allowances and on the preparation of justification packages;
 - Determining whether a supervisor's justification addresses the criteria for payment and requirements set forth in these guidelines;
 - Forwarding a complete justification package to the Head of the Bureau or Independent Office;

- Keeping the supervisor and Bureau/Office Head apprised of the status of the request for retention allowance; and
 - Identifying appropriate funding to pay for the retention allowance.
- d. The Chief, Personnel Operations Division, Executive Management Staff, or Personnel Services Division (M/HR/POD, M/HR/EM or IG/M/PS) is responsible for
- Reviewing requests for granting, continuing, reducing, or terminating retention allowances and assuring conformance to the regulations and requirements set forth in the Agency's Retention Allowance Plan;
 - Verifying with the Office of Human Resources, Policy, Planning and Information Division (M/HR/PPIM), to ensure that granting a retention allowance is consistent with workforce planning initiatives and/or data;
 - Processing a personnel action to grant, continue, reduce, or terminate payment of a retention allowance;
 - Sending notification to supervisors of employees receiving retention allowances 90 days before the not-to-exceed (NTE) date of the retention allowance to afford supervisors sufficient time to conduct their yearly review of each retention allowance;
 - Ensuring that documentation regarding the granting, continuation, reduction, or termination of a retention allowance is filed in the employees Official Personnel Folder (OPF);
 - Maintaining records on approved retention allowances for evaluation and reporting purposes; and
 - Reviewing and evaluating use of this authority in coordination with M/HR/PPIM, as appropriate.
- e. The Director, Office of Human Resources (M/HR), or Chief, Office of Management (IG/M), is responsible for reviewing and forwarding requests with a recommendation for approval/disapproval of retention allowances for final action by AA/M, A/AID, or IG, as appropriate.
- f. The Assistant Administrator for Management (AA/M) or designee is responsible for approving requests for granting, continuing, reducing, or terminating payment of a retention allowance for employees at the GS-15 level and below.
- g. The Administrator (A/AID) or designee is responsible for approving/disapproving requests to grant, continue, reduce, or terminate retention allowance payments for SES employees.
- h. The Inspector General (IG) or designee is responsible for approving/disapproving requests to grant, continue, reduce, or terminate retention allowance payments for OIG employees.

3. Use of This Pay Authority

- a. The Agency will authorize retention allowances when
 - There is a demonstrable need to use a retention allowance in order to retain highly qualified employees in positions that are critical to the Agency's mission, and
 - There is strong likelihood that these employees would leave Federal service for any reason, in the absence of a retention allowance.
- b. The Agency will authorize payment of a retention allowance subject to available funding. USAID/W Bureaus and Independent Offices are expected to share the cost of funding this allowance to the maximum extent possible.
- c. Civil Service employees in M/IRM who staff the Information Technology (IT) function and who possess professional certifications may be authorized retention allowances in accordance with the IT Professional Skills Pilot Program. (See ADS 467 Mandatory Reference, Information Technology (IT) Professional Skills Pilot Program Standard Operating Procedures Manual for additional information.)

4. Applicability

- a. The Agency may authorize payment of a retention allowance to employee(s) serving under a Federal appointment in one of the following positions
 - General Schedule (GS) positions
 - Career Senior Executive Service (SES) positions

Employees in the following positions are excluded from coverage

- Employees in Foreign Service (FS) or Senior Foreign Service (SFS) positions
 - Employees in Administratively Determined (AD) positions
 - Employees in Executive Schedule (EX) positions
 - Employees in Schedule C or non-career SES positions
 - Employees on temporary and/or intermittent (when actually employed) appointments
 - U.S. and Foreign Service National Personal Services Contractors
 - Foreign Service National direct hires
- b. Group-based retention allowances may be paid to current Federal employees in a GS position. Group-based retention allowances for SES employees are excluded.

The U.S. Office of Personnel Management must approve group-based retention allowances in excess of 10 percent but not to exceed 25 percent of basic pay.

5. Conditions of Payment

a. Payment to individual employees

The Agency is authorized to pay a retention allowance of up to 25 percent of basic pay to a current employee.

Each determination to pay a retention allowance must be made on a case-by-case basis.

In preparing a request to grant a retention allowance to an individual employee, the recommending official, normally the immediate supervisor, must submit a written justification that addresses the criteria in section No. 6, Criteria for Payment. In addition, the supervisor must complete a Retention Allowances Recommendation and Approval Form, AID Form 400-13, and obtain approval of the request from the Division Chief (or equivalent level) and the Head of the Bureau or Independent Office, as appropriate.

b. For groups of employees

The Agency is authorized to pay a retention allowance of up to 10 percent of basic pay (or up to 25 percent with approval from the U.S. Office of Personnel Management) to a group or targeted category of GS employees.

In preparing a recommendation for a group-based retention allowance, the recommending official, normally the Head of the Bureau or Independent Office, will be expected to narrowly define the targeted group of employees using factors such as occupational series, grade level, distinctive job duties, unique qualifications, and organization or team designation. The Bureau/Office Head must submit a written justification for the targeted category of employees, taking into account the criteria specified in section No. 6 below. In addition, a Retention Allowances Recommendation and Approval Form, AID Form 400-13, must be completed for each affected individual employee in the targeted category.

All requirements in these regulations must have been met in order to pay a retention allowance to an individual employee in the targeted category. For example, the Agency cannot pay a retention allowance to an employee in the category who is fulfilling a one-year service agreement for receipt of a recruitment or relocation bonus.

6. Criteria for Payment

a. Each retention allowance paid under the Agency's plan must be based on a written determination that takes into account the following criteria

- The unusually high or unique qualifications of the employee or a special need of the Agency for the employee's services that make it essential to retain the employee;
- The fact that the employee would be likely to leave the Federal service for employment outside the executive, legislative, or judicial branches of the

Federal Government or for other reasons, in the absence of a retention allowance; and

- A description of the extent to which the employee's departure would affect the Agency's ability to carry out an activity or perform a function that is deemed essential to the Agency's mission.

b. The determination that an employee is likely to leave Federal service may be based on a written offer from an employer outside the Federal Government or a written statement by a higher level official that the employee is likely to leave Federal service for any reason. This statement may be based on such evidence as personal knowledge that the employee is actively seeking outside employment and that competitive labor market conditions make it likely that such efforts will yield positive results.

c. In determining whether a retention allowance should be paid and in determining the amount of any such payment, the recommending official will consider each of the following factors

- The success of recent efforts to recruit candidates and retain employees with qualifications similar to those possessed by the employee for positions similar to the position held by the employee;
- The availability in the labor market of candidates for employment who, with minimal training or disruption of services to the public, could perform the full range of duties and responsibilities assigned to the position held by the employee;
- The expected duration of the retention allowance;
- The likely effects of such payment on the morale of co-workers;
- Funding availability;
- The current and expected performance level of the employee;
- The relationship of a retention allowance to such payments as previous recruitment or relocation bonuses for which a one-year service agreement has been completed, salary based on superior qualifications, performance awards, etc., that affect the total compensation received by the employee; and
- Other special or unique requirements for the employee's services.

7. Payment of Retention Allowance

a. By law, a retention allowance must be calculated as a percentage of the employee's rate of basic pay (excluding any locality payment) not to exceed 25 percent. Special rates and retained rates are considered basic pay for this purpose.

b. A retention allowance will be paid at an hourly rate for each hour during which the employee receives basic pay. However, retention allowances are not basic pay for any purpose, including retirement, severance pay, and lump-sum annual leave payments upon separation.

c. A retention allowance may not be authorized for an employee if the allowance would cause the employee's projected total compensation in a calendar year (see aggregate compensation as defined in 5 CFR 530.202) to exceed the rate for Level I of the Executive Schedule. A retention allowance must be reduced or terminated to the extent necessary to ensure that the employee's estimated aggregated compensation does not exceed Level I of the Executive Schedule. Payment of excess retention allowance payments may not be deferred to the following calendar year.

d. A retention allowance may not be paid during the one-year service period established by an employee's recruitment or relocation bonus service agreement.

e. A retention allowance may not be authorized before an individual employee's employment with the Agency.

f. The employing Office or Bureau will be expected to review the appropriateness of a retention allowance whenever the conditions that originally prompted the payment of the allowance change significantly. For example, a significant increase in an employee's rate of basic pay as a result of a promotion may lessen the likelihood that the employee will leave Federal service.

g. Payment of a retention allowance may be continued as long as the conditions giving rise to the original determination to pay the allowance still exist, and payment is still warranted. However, at least every twelve months, the employing Bureau/Office must review each determination to pay an allowance to determine whether the payment is still warranted and certify in writing in Part III of the Retention Allowances Recommendation and Approval Form, AID Form 400-13, that the review took place.

8. Reduction or Termination of Retention Allowance

a. Payment of a retention allowance will be reduced or terminated when it is determined that

- A lesser amount (or none at all) would be sufficient to retain the employee;
- Labor-market factors make it more likely to recruit a candidate with similar qualifications;
- The Agency's need for the services of the employee has been reduced to a level that makes it unnecessary to continue payment at the level originally approved (or at all);

- Budgetary constraints make it difficult to continue payment at the level originally approved if at all; or
 - The employee leaves the position for which the allowance was authorized.
- b. If a retention allowance is reduced or terminated before the period for which it was authorized, written notice must be provided to the employee by the employing Bureau/Office two weeks before the effective date of the action. This does not apply in cases when a retention allowance is terminated or reduced because of the aggregate limitation on pay (see section no. 7) or lack of funds in emergency situations.
- c. The reduction or termination of a retention allowance may not be appealed. However, this does not alter an employee's rights or remedy under 5 U.S.C. Chapter 12 or any of the laws referred to in 5 U.S.C. 2302(d).

9. Records and Evaluation

- a. Each determination to authorize or reauthorize a retention allowance payment must be documented on the Retention Allowances Recommendation and Approval Form, AID Form 400-13, addressing the following information: the percentage of basic pay added, the effective date of the retention allowance, the expected duration of the allowance, and provisions regarding termination or reduction of the retention allowance.
- b. M/HR/POD, M/HR/EM, or IG/M/PS will maintain records on each approved retention allowance for reporting and evaluation purposes. The original Retention Allowances Recommendation and Approval Form, AID Form 400-13, and supporting justification will be filed on the left side of the employee's Official Personnel Folder for determinations made to grant, continue, reduce, or terminate a retention allowance.
- c. M/HR/POD in coordination with M/HR/PPIM will periodically evaluate the use of retention allowances to ensure that payment conforms to the regulations and requirements set forth in these guidelines.

10. Authority and References

These guidelines constitute the Agency's plan for authorizing retention allowances. This plan meets the requirements in 5 U.S.C. 5754 and 5 CFR part 575, subpart C.

See also

- 5 U.S.C. 2302(d) and 5 U.S.C. Chapter 12, for information on employee rights relating to this authority.
- 5 CFR Part 530 subpart B for information on aggregate limitation on pay

The following form is required to comply with the policy and procedures in this Mandatory Reference

- Retention Allowance Recommendation and Allowance Approval Form (AID Form 400-13)

11. Definitions

rate of basic pay

The rate of pay fixed by law or administrative action for the position held by an employee, before deductions and exclusive of additional pay of any kind, such as locality pay.
(Chapter 467)